

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
OSKALOOSA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2009

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Padgett	Chairman	July, 2012
Joe Ryan	Secretary	July, 2010
Mike Vore	Trustee	July, 2014
Chad Coon	General Manager	Indefinite
Sheryl Tomlinson	Office Manager	Indefinite
Cindy Scholtus	Billings Clerk	Indefinite
Crystal Fairchild	Customer Service	Indefinite
Randy S. DeGeest	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department, as of and for the year ended June 30, 2009, which collectively comprise the Water Department's basic financial statements listed in the table of contents. These financial statements are the responsibility of Water Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2009 on our consideration of the Water Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Water Department has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
November 5, 2009

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Basic Financial Statements

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS

As of and for the year ended June 30, 2009

		Program Receipts		
	Disbursements	Charges for Services	Capital Grants and Restricted Interest	Net (Disbursements) Receipts
Functions/Programs:				
Business Type Activities:				
Water operating	\$ 1,369,595	\$ 1,689,657	\$ 27,851	\$ 347,913
Debt service	20,028	-	-	(20,028)
Capital projects	1,676,460	-	-	(1,676,460)
	<u>\$ 3,066,083</u>	<u>\$ 1,689,657</u>	<u>\$ 27,851</u>	<u>\$ (1,348,575)</u>
General receipts:				
Unrestricted investment earnings				27,531
Rents collected				13,803
Miscellaneous				40,462
Note proceeds				<u>1,299,648</u>
Total general receipts				<u>1,381,444</u>
Change in cash basis net assets				32,869
Cash basis net assets beginning of year				<u>968,396</u>
Cash basis net assets end of year				<u>\$ 1,001,265</u>
Cash basis net assets:				
Restricted:				
Debt service				\$ 28,725
Unrestricted				<u>972,540</u>
Total cash basis net assets				<u>\$ 1,001,265</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2009

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Operating receipts:					
Use of money and property:					
Meter rent	\$ 10,917	\$ -	\$ -	\$ -	10,917
House rent	360	-	-	-	360
Sprinkler and hydrant rent	2,526	-	-	-	2,526
	<u>13,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,803</u>
Charges for services:					
Meter water sales	1,537,134	-	-	-	1,537,134
Late and inspection fees	30,812	-	-	-	30,812
Labor charges	8,995	-	-	-	8,995
Sales tax collected	112,716	-	-	-	112,716
	<u>1,689,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,689,657</u>
Miscellaneous:					
Materials sold	8,767	-	-	-	8,767
Reimbursements/refunds	4,328	-	-	-	4,328
Tower rental	18,000	-	-	-	18,000
Miscellaneous	9,367	-	-	-	9,367
Intergovernmental	27,851	-	-	-	27,851
	<u>68,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,313</u>
Total operating receipts	<u>1,771,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,771,773</u>
Disbursements:					
Business type activities:					
Administration:					
Labor	227,771	-	-	-	227,771
Related labor expenses	30,527	-	-	-	30,527
Health insurance	105,611	-	-	-	105,611
Publications	2,732	-	-	-	2,732
Audit fees	6,475	-	-	-	6,475
Legal fees	448	-	-	-	448
Maintenance - Building	90	-	-	-	90
Computer expense	12,088	-	-	-	12,088
Insurance	51,272	-	-	-	51,272
Postage	11,214	-	-	-	11,214
Meter reading service	15,905	-	-	-	15,905
Telephone	8,301	-	-	-	8,301
Dues and subscriptions	3,494	-	-	-	3,494
Education/Seminars	5,228	-	-	-	5,228
Custodial expense	1,698	-	-	-	1,698

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2009

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Disbursements (continued):					
Business type activities (continued):					
Administration (continued):					
Office supplies	\$ 4,685	\$ -	\$ -	\$ -	4,685
Miscellaneous supplies	1,027	-	-	-	1,027
Capital outlay and replacements	2,995	-	-	-	2,995
	491,561	-	-	-	491,561
Plant operation and maintenance:					
Labor	175,080	-	-	-	175,080
Related labor expenses	23,488	-	-	-	23,488
Lab expense	14,860	-	-	-	14,860
Maintenance:					
Buildings	2,985	-	-	-	2,985
Wells	15,740	-	-	-	15,740
Grounds	16,918	-	-	-	16,918
Machinery	12,187	-	-	-	12,187
Education/Seminars	1,759	-	-	-	1,759
Utilities	73,693	-	-	-	73,693
Miscellaneous supplies	702	-	-	-	702
Miscellaneous expense	6,252	-	-	-	6,252
Chemicals	134,268	-	-	-	134,268
Capital outlay and replacements	6,110	1,676,460	-	-	1,682,570
	484,042	1,676,460	-	-	2,160,502
Distribution operations:					
Labor	140,225	-	-	-	140,225
Related labor expenses	19,339	-	-	-	19,339
Uniforms	1,747	-	-	-	1,747
Maintenance:					
Meters	12,392	-	-	-	12,392
Water system	56,564	-	-	-	56,564
Building	13	-	-	-	13
Machinery	1,216	-	-	-	1,216
Gas	10,779	-	-	-	10,779
Rent expense	9,600	-	-	-	9,600
Truck expense	1,881	-	-	-	1,881
Education/Seminars	670	-	-	-	670
Utilities	6,645	-	-	-	6,645
Small tools	1,635	-	-	-	1,635
Miscellaneous supplies	2,575	-	-	-	2,575

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2009

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Disbursements (continued):					
Business type activities (continued):					
Distribution operations (continued):					
Miscellaneous expense	\$ 862	\$ -	\$ -	\$ -	862
Capital outlay and replacements	15,032	-	-	-	15,032
Debt service	-	-	-	20,028	20,028
	<u>281,175</u>	<u>-</u>	<u>-</u>	<u>20,028</u>	<u>301,203</u>
Other:					
Sales tax remitted	112,817	-	-	-	112,817
Total operating disbursements	<u>1,369,595</u>	<u>1,676,460</u>	<u>-</u>	<u>20,028</u>	<u>3,066,083</u>
Excess (deficiency) of operating receipts over operating disbursements	402,178	(1,676,460)	-	(20,028)	(1,294,310)
Non operating receipts:					
Interest on investments	<u>27,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,531</u>
Excess (deficiency) of receipts over (under) disbursements	<u>429,709</u>	<u>(1,676,460)</u>	<u>-</u>	<u>(20,028)</u>	<u>(1,266,779)</u>
Other financing sources (uses):					
Note proceeds	-	1,299,648	-	-	1,299,648
Operating transfers in (note 3)	-	73,756	32,058	48,753	154,567
Operating transfers out (note 3)	<u>(154,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(154,567)</u>
Total other financing sources (uses)	<u>(154,567)</u>	<u>1,373,404</u>	<u>32,058</u>	<u>48,753</u>	<u>1,299,648</u>
Net change in cash balances	275,142	(303,056)	32,058	28,725	32,869
Cash balance beginning of year	<u>665,340</u>	<u>303,056</u>	<u>-</u>	<u>-</u>	<u>968,396</u>
Cash balance end of year	<u>\$ 940,482</u>	<u>\$ -</u>	<u>\$ 32,058</u>	<u>\$ 28,725</u>	<u>\$ 1,001,265</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2009

	Enterprise Funds				Total
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	
Cash basis fund balances:					
Reserved for:					
Debt service	\$ -	\$ -	\$ -	28,725	\$ 28,725
Designated for:					
Meter replacement	-	-	32,058	-	32,058
Unreserved	940,482	-	-	-	940,482
	<u>\$ 940,482</u>	<u>\$ -</u>	<u>\$ 32,058</u>	<u>\$ 28,725</u>	<u>\$ 1,001,265</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
AGENCY FUNDS
Year ended June 30, 2009

	<u>Customer Deposits</u>	<u>Sewer Receipts</u>	<u>Total</u>
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 1,445,167	\$ 1,445,167
Stormwater receipts	-	225,448	225,448
Miscellaneous:			
Customer deposits	39,250	-	39,250
Total receipts	<u>39,250</u>	<u>1,670,615</u>	<u>1,709,865</u>
Disbursements:			
Business type activities:			
Customers' deposits refunded	36,550	-	36,550
Sanitary sewer receipts remitted to City	-	1,440,769	1,440,769
Stormwater receipts remitted to City	-	225,515	225,515
Total disbursements	<u>36,550</u>	<u>1,666,284</u>	<u>1,702,834</u>
Excess of receipts over disbursements	2,700	4,331	7,031
Balance beginning of year	<u>62,590</u>	<u>122,994</u>	<u>185,584</u>
Balance end of year	\$ <u><u>65,290</u></u>	\$ <u><u>127,325</u></u>	\$ <u><u>192,615</u></u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department is an independent department and a component unit of the City of Oskaloosa. The Waterworks operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Water Department, are such that exclusion would cause the Water Department's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Water Department to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Water Department. The Water Department has no component units which meet the Governmental Accounting Standards Board criteria. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government, the Water Department, and any component units. For the most part, the effect of interfund activity has been removed from this financial statement.

The Statement of Activities and Net Assets presents the Water Department's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category.

Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identified with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual proprietary funds are reported as separate columns in the funds financial statements. All remaining proprietary funds are aggregated and reported as other nonmajor proprietary funds.

The Water Department reports the following major proprietary funds:

Operating, Improvements, Meter Replacement, and Sinking Fund Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Additionally, the Water Department reports the following fund type:

Fiduciary Funds:

Agency Funds are utilized to account for monies and properties received and held by the Waterworks in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Basis of Accounting

The Municipal Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparisons and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The Water Department's deposits at June 30, 2009 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

The Water Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Water Department's Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investments companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the Water Department had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificate of Deposit	\$ 200,000	\$ 200,000	March 18, 2010
Certificate of Deposit	<u>365,000</u>	<u>365,000</u>	December 22, 2009
	<u>\$ 565,000</u>	<u>\$ 565,000</u>	

Interest rate risk – The Water Department's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Department.

Credit risk - The Water Department investments, held in financial depositories, are not subject to level of risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfers from	Transfers to	Amount
Proprietary Enterprise: Water Utility Operating	Proprietary Enterprise: Improvements	\$ 73,756
	Meter Replacement	32,058
	Sinking Fund	<u>48,753</u>
Total		<u>\$ 154,567</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Indebtedness

During the year the Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes not to exceed \$6,500,000. The Water Department borrowed \$1,299,648 during the year. The annual debt service requirements to maturity for the revenue capital loan notes is as follows based on the full \$6,500,000 being borrowed:

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2010	3.00 % \$	122,234 \$	16,250 \$	235,000 \$	373,484
2011	3.00	187,011	15,663	243,000	445,674
2012	3.00	180,660	15,055	251,000	446,715
2013	3.00	173,130	14,427	259,000	446,557
2014	3.00	165,360	13,780	268,000	447,140
2015	3.00	157,320	13,110	277,000	447,430
2016	3.00	149,010	12,418	286,000	447,428
2017	3.00	140,430	11,702	295,000	447,132
2018	3.00	131,580	10,965	305,000	447,545
2019	3.00	122,430	10,203	315,000	447,633
2020	3.00	112,980	9,415	325,000	447,395
2021	3.00	103,230	8,602	335,000	446,832
2022	3.00	93,180	7,765	346,000	446,945
2023	3.00	82,800	6,900	358,000	447,700
2024	3.00	72,060	6,005	369,000	447,065
2025	3.00	60,990	5,083	381,000	447,073
2026	3.00	49,560	4,130	393,000	446,690
2027	3.00	37,770	3,147	406,000	446,917
2028	3.00	25,590	2,133	420,000	447,723
2029	3.00	12,990	1,082	433,000	447,072
		\$ 2,180,315	\$ 187,835	\$ 6,500,000	\$ 8,868,150

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity.
- b) Sufficient monthly cash transfers shall be made to a sinking fund account for the purpose of making the capital loan note principal, interest payments and service fee when due.
- c) Sufficiency of rates. On or before the beginning of each fiscal year the governing body will adopt or continue in effect rates for all services rendered by the Water Department determined to be sufficient to produce Net Revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Pension and Retirement Benefits

The Water Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the Waterworks is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The Water Department's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 and were \$32,766, \$29,460, and \$28,174, respectively, equal to the required contributions for the year.

Note 6. Compensated Absences

Water Department's employees accumulate a limited amount of earned but unused vacation, sick leave and comp hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. The Water Department's approximate liability for unrecognized earned compensated absences is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 19,734
Sick Leave	52,612
Comp	5,396
Holiday Leave	<u>696</u>
Total	<u>\$ 78,438</u>

This liability has been computed based on rates of pay as of June 30, 2009.

Note 7. Risk Management

The Oskaloosa Municipal Water Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Operating Lease

The Water Department is leasing a building under a lease agreement which expires on July 31, 2010 and provides for monthly rental payments of \$800. The rental payments disbursed during the year ended June 30, 2009 totaled \$9,600.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. Sewer and Stormwater Receipts

The Water Department assesses and collects sewer and stormwater charges for the City of Oskaloosa, Iowa.

The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Agency - Sewer Receipts Fund.

Note 10. Commitments and Contingencies

In January, 2002 the Water Department implemented a plan to self-fund the increase in their out of pocket and deductible limits of their health insurance policy for all eligible employees. The maximum annual calendar year exposure to the Waterworks would be \$28,000 of which \$1,000 have been paid in claims as of June 30, 2009. The maximum remaining contingent liability as of June 30, 2009 is \$27,000.

The Water Department Board approved construction agreements and change orders totaling \$5,168,335 and had an engineering agreement from the prior year of \$735,000. As of June 30, 2009, \$1,620,682 on the agreements have been paid. The balance of the agreements of \$4,282,653 will be paid as the services are completed.

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Required Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – PROPRIETARY FUNDS
Required Supplementary Information
Year Ended June 30, 2009

	<u>Actual</u>	<u>Amounts Not Required to be Budgeted</u>	<u>Actual Net</u>
Receipts:			
Water:			
Use of money and property	\$ 41,334	\$ -	\$ 41,334
Charges for services	1,576,941	-	1,576,941
Intergovernmental	27,851	-	27,851
Miscellaneous	79,712	39,250	40,462
	<u>1,725,838</u>	<u>39,250</u>	<u>1,686,588</u>
Other financing sources	1,299,648	-	1,299,648
	<u>3,025,486</u>	<u>39,250</u>	<u>2,986,236</u>
Disbursements:			
Business type activities:			
Water	2,989,917	36,550	2,953,367
Excess of receipts over disbursements/ (disbursements over receipts)	35,569	2,700	32,869
Cash balances beginning of year	<u>1,030,986</u>	<u>62,590</u>	<u>968,396</u>
Cash balances end of year	<u>\$ 1,066,555</u>	<u>\$ 65,290</u>	<u>\$ 1,001,265</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance Favorable (Unfavorable)
<u>Original</u>	<u>Final</u>	
\$ 29,180	\$ 40,255	\$ 1,079
1,597,314	1,563,593	13,348
-	-	27,851
14,500	32,875	7,587
1,640,994	1,636,723	49,865
<u>6,227,680</u>	<u>2,942,861</u>	<u>(1,643,213)</u>
<u>7,868,674</u>	<u>4,579,584</u>	<u>(1,593,348)</u>
 7,149,205	 4,286,797	 1,333,430
 <u><u>\$ 719,469</u></u>	 <u><u>\$ 292,787</u></u>	 <u><u>\$ (259,918)</u></u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgeting perspective differences resulting from not being able to present comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for Proprietary Enterprise Funds. Although the budget document presents function disbursements by Fund, the legal level of control is at the aggregate function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$2,862,408. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Approved to be Issued</u>	<u>Balance Beginning of Year</u>
Revenue Refunding Capital Loan Notes: Water	January 7, 2009	3.00%	\$ 6,500,000	\$ <u><u>-</u></u>

See accompanying independent auditor's report.

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Service Fee Paid</u>	<u>Interest Due and Unpaid</u>	<u>Service Fee Due and Unpaid</u>	<u>Notes Due and Unpaid</u>
\$ <u>1,299,648</u>	\$ <u>-</u>	\$ <u>1,299,648</u>	\$ <u>3,778</u>	\$ <u>16,250</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

DEBT MATURITIES
Year Ended June 30, 2009

Year Ending June 30,	Revenue Capital Loan Notes					
	Water					
	Issued January 7, 2009					
	Interest Rate	Interest	Service Fee	Principal	Total	
2010	3.00 % \$	122,234 \$	16,250 \$	235,000 \$	373,484	
2011	3.00	187,011	15,663	243,000	445,674	
2012	3.00	180,660	15,055	251,000	446,715	
2013	3.00	173,130	14,427	259,000	446,557	
2014	3.00	165,360	13,780	268,000	447,140	
2015	3.00	157,320	13,110	277,000	447,430	
2016	3.00	149,010	12,418	286,000	447,428	
2017	3.00	140,430	11,702	295,000	447,132	
2018	3.00	131,580	10,965	305,000	447,545	
2019	3.00	122,430	10,203	315,000	447,633	
2020	3.00	112,980	9,415	325,000	447,395	
2021	3.00	103,230	8,602	335,000	446,832	
2022	3.00	93,180	7,765	346,000	446,945	
2023	3.00	82,800	6,900	358,000	447,700	
2024	3.00	72,060	6,005	369,000	447,065	
2025	3.00	60,990	5,083	381,000	447,073	
2026	3.00	49,560	4,130	393,000	446,690	
2027	3.00	37,770	3,147	406,000	446,917	
2028	3.00	25,590	2,133	420,000	447,723	
2029	3.00	12,990	1,082	433,000	447,072	
		\$ 2,180,315	\$ 187,835	\$ 6,500,000	\$ 8,868,150	

See accompanying independent auditor's report.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Agreement</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Iowa Finance Authority:			
Capitalization Grants for Drinking Water State			
Revolving Funds	66.468	FY 09	\$ <u>855,631</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management			
Division:			
Disaster Grants - Public Assistance	97.036	123-UKUF8-00	<u>27,851</u>
			\$ <u><u>883,482</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Oskaloosa Municipal Water Department and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Waterworks Trustees:
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Municipal Water Department, a component unit of the City of Oskaloosa as of and for the year ended June 30, 2009, which collectively comprise the Water Department's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2009. Our report expressed an unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Oskaloosa Municipal Water Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Oskaloosa Municipal Water Department's financial statements that is more than inconsequential will not be prevented or detected by the Water Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Oskaloosa Municipal Water Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no material weaknesses during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oskaloosa Municipal Water Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards.

Comments involving statutory and other legal matters about the City of Oskaloosa Municipal Water Department's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Department. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa Municipal Water Department and other parties to whom City of Oskaloosa Municipal Water Department may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Oskaloosa Municipal Water Department during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
November 5, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Waterworks Trustees:
City of Oskaloosa Municipal Water Department
Oskaloosa, Iowa

Compliance

We have audited the compliance of City of Oskaloosa Municipal Water Department with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Oskaloosa Municipal Water Department's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of City of Oskaloosa Municipal Water Department's management. Our responsibility is to express an opinion on City of Oskaloosa Municipal Water Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Oskaloosa Municipal Water Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Oskaloosa Municipal Water Department's compliance with those requirements.

In our opinion, City of Oskaloosa Municipal Water Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of City of Oskaloosa Municipal Water Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Oskaloosa Municipal Water Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Oskaloosa Municipal Water Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in City of Oskaloosa Municipal Water Department's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in City of Oskaloosa Municipal Water Department's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Oskaloosa Municipal Water Department's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Oskaloosa Municipal Water Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Oskaloosa Municipal Water Department's internal control. We noted no material weaknesses during the course of our audit.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Oskaloosa Municipal Water Department and other parties to whom City of Oskaloosa Municipal Water Department may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
November 5, 2009

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Oskaloosa Municipal Water Department did not qualify as a low-risk auditee.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

No matters were noted.

Instances of Non-Compliance:

No matters were noted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

No matters were noted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-09 Official Depositories - A resolution naming official depositories has been approved by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.
- IV-B-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted in the business type activities function.
- IV-C-09 Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- IV-D-09 Travel Expense - No disbursements of the Water Department's money for travel expense of spouses of the Water Department's officials or employees were noted.
- IV-E-09 Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- IV-F-09 Bond Coverage - Surety bond of Water Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Department's investment policy were noted.

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